



# DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE: EO Examination

625 Fulton Street, Room 503

Brooklyn, NY 11201

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Release Number: **200842047**

Release Date: 10/17/08

UIL Code: 501.03-01

Date: July 24, 2008

Legend

ORG = Organization name

ORG

ADDRESS

XX = Date

Address = address

Taxpayer Identification Number:

Person to Contact:

Identification Number

Contact Telephone Number:

LAST DATE FOR FILING A PLEADING  
WITH THE TAX COURT, THE CLAIMS  
COURT, OR THE UNITED STATES  
DISTRICT COURT FOR THE DISTRICT  
OF COLUMBIA:

Dear

This is a final determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC). Recognition of your exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3) is retroactively revoked to December 1, 20XX because you have not established that you are organized and operated exclusively for exempt purposes.

IRC section 501(c)(3) exempts from taxation organizations which are organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inure to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which do not participate in, or intervene in, any political campaign on behalf of (or in opposition to) any candidate for public office.

You failed to meet the requirements of Treasury Regulation section 1.501(c)(3)-1(b) in that you are not organized exclusively for an exempt purpose. On December 1, 20XX, ORG amended the dissolution clause in its articles of incorporation to remove the restriction that funds could only be distributed upon liquidation to an organization that is recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code.

To be organized under the requirements of Treasury Regulation Section 1.501(c)(3)-1(b)(1)(i)(b), the organization's articles of incorporation must limit its purposes to one or more of the purposes outlined in IRC section 501(c)(3) and not expressly empower the

organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes. We are revoking your exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code effective December 1, 20XX.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning December 1, 20XX and all years beginning October 1<sup>st</sup>, thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must file a pleading seeking a declaratory judgment in the United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia before the 91<sup>st</sup> day after the date this final determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing pleadings for declaratory judgments and refer to the enclosed Publication 892. You may write to these courts at the following addresses:

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call too-free and ask for Taxpayer Advocate Assistance.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely Yours,

Marsha A. Ramirez  
Director, EO Examinations

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
<b>Name of Taxpayer</b> <b>ORG</b>		<b>Year/Period Ended</b> 11/30/20XX

**LEGEND**

ORG = Organization name      XX = Date      City = city      XYZ = State  
Former-ORG = former organization name      CO-1, CO-2 & CO-3 = 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup>  
companies      motto = motto

**ISSUES**

1. Whether ORG ("ORG") should be revoked under section 501(c)(3) of the Internal Revenue Code effective December 1, 20XX, for having amended the dissolution clause in its articles of incorporation to remove the restriction that funds could only be distributed upon liquidation to an organization that is recognized as tax exempt under section 501 (c)(3) of the Internal Revenue Code?

2. Whether revocation of the organization's tax-exempt status should be applied retroactively?

**BRIEF EXPLANATION OF FACTS**

The subject organization is recognized as a section 501(c)(3) tax-exempt organization. ORG ("ORG") received a determination letter dated March 21, 19XX, (Exhibit B-2) under their former name "Former ORG" from the IRS National Office in City, XYZ recognizing its tax-exempt status under section 501(c)(3) and stating that it is not a private foundation as defined by section 509(a). According to its articles of incorporation, the primary purpose of ORG was to support advancement of knowledge and practice of comprehensive cost effective health care for the residents of the community served by CO-1 ("CO-1") and to assist physicians in the CO-1 to improve the health of the residents of the community by promoting the coordinated delivery of in-patient and out-patient services.

Former ORG changed its legal name on 11/23/20XX to ORG (Exhibit A-4).

CO-1 is a hospital recognized as a tax-exempt under section 501 (c)(3) and as a charitable organization under section 170(b)(1)(A)(iii). CO-2 ("CO-2"), a 501 (c)(3) organization, is the parent organization of a health system comprised of both tax-exempt and nonexempt entities (Exhibit E-1)

In addition, on November 30, 20XX, CO-3 was merged into ORG (Exhibit A-3). CO-3 was a XYZ non-profit corporation which provided administrative and management services to motto. Since CO-3 provided management services to both affiliated motto of CO-1 and to non-affiliated motto it was treated as a taxable entity for Federal tax purposes.

In order to provide added flexibility for future expansion on December 1, 20XX, ORG amended the dissolution clause in its articles of incorporation to remove the restriction

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

that funds could only be distributed upon liquidation to an organization that is recognized as tax-exempt under section 501(c)(3) of the Internal Revenue Code.

Prior to the amendment, ORG's articles of incorporation (Exhibit A-1) provided:

"Upon liquidation or dissolution of the corporation, after payment of all of the tax liabilities of the corporation or due provision therefore, all of the assets of the corporation shall be disposed of to \_\_\_\_\_, a XYZ corporation, so long as it is then exempt from federal income tax under 501(c)(3) of the Internal Revenue Code, or if it is not then so exempt, to one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

As amended the articles of incorporation (Exhibit A-2) provide:

"Upon liquidation or dissolution of the corporation, after payment of all of the tax liabilities of the corporation or due provision therefore, all of the assets of the corporation shall be disposed of to such entity and for such lawful purpose as provided in the Plan of Dissolution approved by the corporation.

This would enable ORG to be merged into or liquidated into another non-profit (under state law) that may not have recognition and/or qualify as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code.

CO-1 did not change the provision that states:

No part of the net earnings of the corporation shall inure to the benefit of any trustee, individual (except that reasonable compensation may be paid for services rendered to or for the corporation in carrying out one or more of its purposes): provided, however, that the corporation may confer benefits upon its members in conformity with its purposes and also upon dissolution or final liquidation may take distributions to its members as permitted by the XYZ Nonprofit Corporation Act.

The XYZ Nonprofit Corporation Act ("XYZ Act") section \_\_\_\_\_ (Exhibit D-1) requires nonprofit corporations' articles of incorporation to set forth any provisions, not inconsistent with law, which the incorporators elect to set forth in the articles of incorporation for the regulation of the internal affairs of the corporation, including any provision for distribution of assets on dissolution or final liquidation.

ORG's status as a XYZ nonprofit corporation is not affected by the amendment to the articles of incorporation. The XYZ Act provides that no provision of articles of incorporation for XYZ nonprofit corporation, including provision relating to distribution upon dissolution or final liquidation, be inconsistent with the law. As amended, ORG's articles of incorporation state that upon liquidation or dissolution, all of the assets of the



Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

corporation shall be disposed of to such entity and for such lawful purpose as provided in the Plan of Dissolution approved by the corporation. Thus, the amended provision of the articles of incorporation is not inconsistent with the law and it satisfies the requirement of the XYZ Act.

Lastly, it is the intent of CO-1 to continue to operate under the State of XYZ non-profit rules and no assets will be distributed.

## **LAW**

### **Issue 1.**

Section 501(c)(3) of the Code exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Section 1.501(c)(3)-1(d)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense, and includes the promotion of education.

§1.501(c)(3)-1. (4) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

The presence of a single substantial nonexempt purpose can destroy the exemption regardless of the number or importance of exempt purposes. Better Bus. Bureau v. United States, 326 U.S. 279, 283, 90 L. Ed. 67, 66 S. Ct. 112 (1945); Am. Campaign Acad. v. Commissioner, 92 T.C. 1053, 1065 (1989); see also Old Dominion Box Co., Inc. v. United States, 477 F.2d. 340 (4<sup>th</sup> Cir. 1973), cert. denied, 413 US 910 (1973) ("operating for the benefit of private parties who are not members of a charitable class constitutes a substantial nonexempt purpose"). When an organization operates for the benefit of private interests, such as designated individuals, the creator or his family, or persons directly or indirectly controlled by such private interests, the organization by definition does not operate exclusively for exempt purposes. Am. Campaign Acad. v. Commissioner, supra at 1065-1066.

In Rev. Proc 82-2, 1982-1 C.B.C. 367, the Service identified the states and circumstances in which the Service did not require an express provision for the distribution of assets upon dissolution in an exempt organization's articles of incorporation to satisfy the "organizational" test in section 1.501(c)(3)-1(b)(4) of the Income Tax Regulations. Also, this procedure provided a sample of an acceptable dissolution provision for organizations that are required to have an express provision for the distribution of assets upon dissolution.

### **TAXPAYER'S POSITION**

The organization on April 3, 20XX, requested in writing to have its tax-exempt status under 501 (c)(3) of the Internal Revenue Code no longer recognized as of December 1, 20XX. In support of its position, the taxpayer states that on December 1, 20XX, it amended its articles of incorporation such that its assets are not dedicated to an exempt purpose and cites Reg. section 1.501 (c)(3)-1(b)(4), the XYZ nonprofit Corporation Act Title sections and and Rev Proc 90-27 1990-1 C.B. 514.

The organization believes that by materially changing its articles of incorporation dissolution clause (in which ORG is not longer required to distribute its assets for one or more exempt purposes upon dissolution) its no longer in compliance with the intent of Treasury Reg. section 1.501 (c)(3)-1(b)(4) and it should be revoked.

### **GOVERNMENT'S POSITION**

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

Based on the facts of the examination, ORG does not satisfy the requirements of section 501 (c)(3) of the Internal Revenue Code. Although the status of ORG as a XYZ nonprofit corporation is not affected by the amendment to the Articles of Incorporation, it affects the status of ORG with the Service. In order to qualify as tax-exempt under IRC 501 (c)(3), an organization must independently meet one of the purposes described in section 501 (c)(3) and be both organized and operated exclusively for one of the purposes outlined in 501 (c)(3). To be organized as such the organization's articles of incorporation must limit its purposes to one or more of the purposes outlined in IRC section 501 (c)(3) and not expressly empower the organization to engage , otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt status. Treas. Reg. 1.501(c)(3)-1(b)(1)(i)(b).

Furthermore, the organization test will not be met if an organization's articles or state law provides that the organization's assets could be distributed to its members or shareholders on dissolution. Treas. Reg. section 1.501(c)(3)-1(b)(4). The regulation instead require an affirmative representation that the organization's assets will be dedicated to furthering exempt purposes through the distribution of the organization's assets to another Section 501 (c)(3) organization or to a government entity for use for a public purpose. Treas. Reg. section 1.501 (c)(3)-1(b)(4). The absence of such affirmative representation is sufficient grounds for denying recognition of exemption. *Schoger Found. v. Commissioner, 76 TC 380 (1981); Columbia Park & Recreation Association v. Commissioner, 88TC 124 (1987)*

The XYZ Nonprofit Corporation Act ("XYZ Act") requires "nonprofit corporation" to refrain from distributing any part of its income to members, directors or officers. XYZ Act section

Section of the XYZ Act requires nonprofit corporations' articles of incorporation to set forth any provisions, not inconsistent with law, which the incorporators elect to set forth in the articles of incorporation for the regulation of the internal affairs of the corporation, including any provision for distribution of assets on dissolution or final liquidation.

Section of the XYZ Act requires nonprofit corporation to not have or issue share of stock and to refrain from distributing any part of their income or profits to members, directors, or officers. It further states that a corporation may pay compensation in a reasonable amount to its members, directors or officers for services rendered and upon dissolution or final liquidation may make contributions to its members as permitted by the XYZ Act, and no such payments, benefit or distribution shall be deemed to be a dividend or a distribution of income or profit. It further states that upon dissolution or final liquidation, the assets of a corporation whose purposes and activities have been

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

primarily charitable, religious, benevolent or educational shall be transferred or conveyed only to one or more domestic or foreign corporations, society or organization engaged in activities substantially similar to those of the dissolving or liquidating corporation.

In addition, the XYZ Act has provision for the voluntary and involuntary dissolution of a nonprofit corporation

The **voluntary** dissolution provisions of the XYZ Statute do not satisfy Treas. Reg. section 1.501 (c)(3)-1(b)(4) because the XYZ Nonprofit Act (XYZ Act) Title section the last part of this provision states that the assets of the dissolving corporation only have to approximate those of the dissolving corporation .There is no requirement that the assets of the dissolving corporation be conveyed to an organization created for one or more purposes described in IRC section 501 (c)(3).

The **involuntary** dissolution provisions of the XYZ Statute do not satisfy Treas. Reg. section 1.501 (c)(3)-1(b)(4) because the XYZ Nonprofit Act (XYZ Act) Title section states that upon dissolution or liquidation all assets shall be transferred or conveyed to one or more domestic or foreign corporation engaged in activities substantially similar to those of the dissolving or liquidating corporation as the court may direct.

ORG's status as a XYZ nonprofit corporation is not affected by the amendment to the articles of incorporation. The XYZ Act provides that no provision of articles of incorporation for XYZ nonprofit corporation, including provision relating to distribution upon dissolution or final liquidation be inconsistent with the law. XYZ Act section and state that upon dissolution or liquidation all assets be transferred to an entity engaged in activities approximate or similar to the activities of the dissolving corporation.

There is no requirement in the XYZ Act that the assets of the dissolving corporation be conveyed to an organization created for one or more purposes described in IRC section 501 (c)(3).

As amended, ORG's articles of incorporation state that upon liquidation or dissolution, all of the assets of the corporation shall be disposed of to such entity and for such lawful purpose as provided in the Plan of Dissolution approved by the corporation. Thus, the amended provision of the articles of incorporation is not inconsistent with the law and it satisfies the requirement of the XYZ Act.

However, it is a basic rule that the organization's status under state law is not determinative of its status for Federal tax purposes. *Cf. Burnet v. Harmel, 287 US 103 (1932); Better Bus. Bureau v. United States, 326 U.S., 285 note 3 (1945); Veterans*



Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

*Foundation v. United States*, 281 F.2d 912, 913 (10<sup>th</sup> Cir. 1960). Consequently, any conflict of laws must be resolved by applying concepts applicable under Federal tax law. Of course, Federal concepts of charitability within the meaning of Code section 501(c)(3) derive in principal part from the general body of the common law of charity and statutory development under state law.. Therefore, in the absence of a conflict of laws, or unless the requirements of Federal law are more rigorous, weight should be given to relevant and applicable state law.

In this context ORG status as a tax-exempt organization under IRC section 501(c)(3) is affected by the amendments to the articles of incorporation and the changes are fatal to its exempt status.

## **CONCLUSION**

Based on the foregoing reasons, the organization does not qualify for exemption under section 501(c)(3) of the Internal Revenue Code and its tax exempt status should be revoked.

## **LAW**

### **Issue 2.**

IRC § 7805(b) provides that the Secretary may prescribe the extent, if any, to which any ruling (including any judicial decision or any administrative determination other than by regulation) relating to the internal revenue laws shall be applied without retroactive effect.

Rev. Proc. 98-1, 1998-1 I.R.B. 7 provides that except in rare or unusual circumstances, the revocation or modification of a letter ruling will not be applied retroactively to the taxpayer for whom the letter ruling was issued or to a taxpayer whose tax liability was directly involved in the letter ruling provided that: (1) there has been no misstatement or omission of material facts; (2) the facts at the time of the transaction are not materially different from the facts on which the letter ruling was based; (3) there has been no change in the applicable law; (4) the letter ruling was originally issued for a proposed transaction; and (5) the taxpayer directly involved in the letter ruling acted in good faith in relying on the letter ruling, and revoking or modifying the letter ruling retroactively would be to the taxpayer's detriment.

Rev. Proc. 90-27, 1990-1 C.B. 514 section 14.01 provides that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

### **TAXPAYER'S POSITION**

The organization cites Rev. Proc. 90-27 section 14.01 and argues that the revocation of the tax-exempt status should be made retroactive to the date on which ORG's articles were changed, December 1, 20XX.

### **GOVERNMENT'S POSITION**

Rev. Proc. 90-27 section 14.1 provides that when there is material change, inconsistent with exemption, revocation will ordinarily take effect as of the date of such material change. Since ORG adequately disclosed in its letter dated April 3, 20XX of the changes in its articles of incorporation, the Service concurs with ORG that the tax-exempt revocation should be made retroactive to the date the articles of incorporation were amended.

### **CONCLUSION**

Based on the foregoing, the organization should be revoked as of the date the articles of incorporation were materially changed on December 1, 20XX. ORG should file Form 1120 for the short tax period starting December 1, 20XX, and ending September 30, 20XX.

### **TABLE OF EXHIBITS:**

- A. Articles of Incorporation
  - 1. Original Articles dated 10/12/19XX
  - 2. Amended Articles dated 12/1/20XX to change dissolution clause
  - 3. Articles of Amendment dated 8/4/20XX to change name to ORG
  - 4. Restated Articles dated 11/23/20XX to merge with CO-3
- B. Application for Exemption

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 11/30/20XX

1. Package 1023
2. Determination Letter

**C. Bylaws**

1. Original Bylaws
2. Amended bylaws dated 8/3/XX

**D. Legal References**

1. IRC section 501(c)(3)
2. IRC section 7805
3. Treasury Regulation 1.501(c)(3)
4. Better Bus. Bureau v. United States, 326 US 279
5. Am. Campaign Acad. V. Commissioner, 92 TC 1053
6. Old Dominion Box Co. Inc. v. United States, 447 F2d. 340 (4<sup>th</sup> Cir.1973)
7. Schoger Found v. Commissioner, 76 TC 380 (1981)
8. Columbia Park & Rec. Assoc v. Commissioner, 88TC 124 (1987)
9. Rev. Proc. 82-2, 1982-1 CB 367
10. Rev. Proc. 98-1, 1998-1 IRB 7
11. Rev. Proc. 90-27, 1990-1 CB 514
12. XYZ Nonprofit Act section(s)

**E. CO-1 related entities flow chart.**



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
Internal Revenue Service  
10 Causeway St.  
Boston, MA 02222

ORG  
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.



If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez  
Director, EO Examination

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination